

# COMMUNITY OUTLOOK SURVEY.

Third Quarter 2011

FEDERAL RESERVE BANK OF BOSTON  
Regional & Community Outreach

**ABOUT THE SURVEY** The Boston Fed’s New England Community Outlook Survey asks service providers to comment on the financial and economic conditions of the region’s low- and moderate-income (LMI) communities and the organizations that serve them.<sup>1</sup> We present the responses in narrative form as well as in a series of figures, including quarterly indexes tracking changes in variables such as job availability, availability of affordable housing, and demand for services. The data are useful for organizations’ strategic planning, community development research, and public policy. For electronic copies of this report and accompanying materials, please visit <http://www.bostonfed.org/comdev/community-outlook-survey/>.

## Introduction

Service providers noted a continued decline in the economic and financial conditions of New England’s lower-income households and communities in the third quarter. The lack of job opportunities and financial fragility of households remain top concerns. Survey respondents described how they are working to maintain services even as demand increases and funding is cut. Other concerns they noted for lower-income communities include affordable housing, cost-of-living increases, and the special challenges rural LMI families face.

## Top Challenges Facing LMI Communities

Once again, service providers chose availability of job opportunities, state and local budget cuts, and federal budget cuts as the top three most important challenges facing LMI communities (Figure 1). As in the previous quarter, access to affordable housing came in fourth, but adult workforce development replaced home foreclosures as the fifth most frequently cited response in the third quarter. (Home foreclosures fell to seventh place, with K–12 education coming ahead of it in sixth place.)

## Diffusion Indexes: Tracking Changes in Conditions

Figures 2–4 feature diffusion indexes, which show changes in conditions of LMI households and the organizations that serve them. For each item, service providers indicated whether conditions during the third quarter improved,

### Respondent Quotes

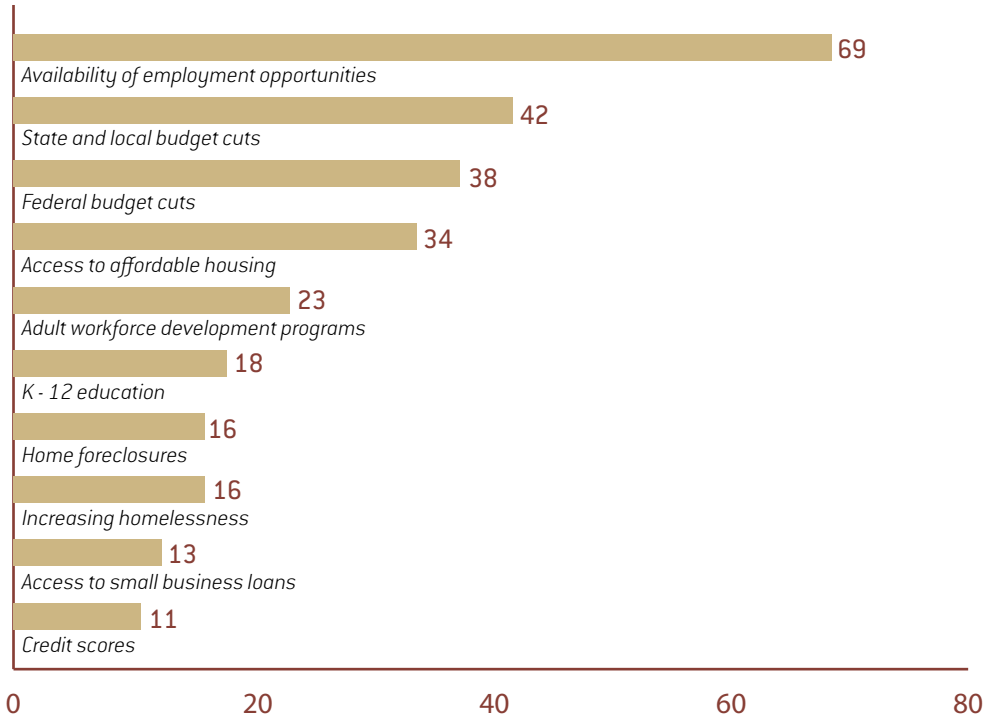
The situation is worsening. Fuel aid cuts, scarcer jobs for the undereducated, federal cuts fraying the safety net, and inflation on food, fuel, and medicine are eroding conditions.

—Connecticut

Federal, state, and local budget cuts have reduced our ability to deliver services and programs.  
—New Hampshire

**FIGURE 1**  
**TOP 10 CHALLENGES FACING LOW- AND MODERATE-INCOME COMMUNITIES**

Percentage of respondents



Note: For this survey, respondents were able to select up to three choices (in previous surveys, respondents could select more choices)  
Source: Community Outlook Survey (Q3 2011)

declined, or remained unchanged. The indexes are calculated by subtracting the percentage of service providers that reported declines in conditions from the percentage that reported improvements. The exception is the Demand for Services Index, which is calculated by subtracting the percentage of service providers reporting an increase in demand from the percentage reporting a decrease. A score above zero indicates that the attitudes of the service providers are positive, while a score below zero indicates that the attitudes of the service providers are negative.

Most of the indexes have been below zero since we began collecting data in the fourth quarter of 2010, and four of the seven indexes showed a decline from the second quarter to the third quarter (Financial Well-being, Job Availability, Affordable Housing, and Demand for Services). In the third quarter, the Financial Well-being Index and the Demand for Services Index have the most unfavorable numbers. More detail on the themes emerging from the diffusion indexes and other data is provided in the sections below.

## Lack of Jobs, Longer Unemployment, and Lower-Paying Jobs Continue to Top List of Concerns

Service providers once again cited lack of job opportunities as the most important challenge facing LMI communities (Figure 1). They also reported a tighter job market in the third quarter than in the second quarter, as reflected in our Job Availability Index (Figure 2). Forty-three percent of service providers said that job availability decreased in the third quarter, while only 8 percent said that it increased. Expectations for job availability over the next quarter suggest a slight improvement, with 28 percent of service providers expecting job availability to decrease and 16 percent expecting it to increase.

**FIGURE 2**  
DIFFUSION INDEXES FOR LOW- AND MODERATE-INCOME INDICATORS

	3rd Qtr 2011	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010
<b>Current conditions relative to previous quarter</b>				
Financial well-being	-62.2	-51.9	-45.6	-57.1
Job availability	-34.3	-24.5	-12.7	-23.2
Availability of affordable housing	-20.2	-12.5	7.1	5.4
Access to credit	-28.7	-34.9	-32.1	-25.0
Demand for services	-64.3	-55.5	-52.6	-36.2
Organization capacity	-9.8	-15.5	-11.9	0.0
Organization funding	-26.8	-30.0	-30.5	-13.8
<b>Current conditions relative to one year ago</b>				
Financial well-being	-75.2	-67.9	-45.6	-62.5
Job availability	-45.3	-23.8	-7.3	-14.3
Availability of affordable housing	-11.8	-6.7	21.8	9.3
Access to credit	-46.7	-45.7	-28.3	-25.5
Demand for services	-74.1	-58.2	-45.8	-41.4
Organization capacity	-14.3	-18.2	6.8	-6.9
Organization funding	-39.3	-41.8	-33.9	-25.9
<b>Expectation for conditions over the next quarter</b>				
Financial well-being	-58.2	-38.1	-12.7	-33.9
Job availability	-12.8	-5.6	22.2	14.5
Availability of affordable housing	-11.0	-7.5	5.6	3.8
Access to credit	-23.8	-19.8	-13.2	-15.7
Demand for services	-67.0	-57.3	-54.2	-58.6
Organization capacity	-5.4	-10.9	-10.2	-6.9
Organization funding	-26.8	-33.6	-28.8	-29.3

Source: Community Outlook Survey (Q3 2011)  
 ::::: indicates index is worse than previous quarter

RI has very high unemployment, and the Hispanic community is especially hard hit. The Hispanic populations in Pawtucket and Central Falls find it increasingly difficult to find jobs and pay for rental or homeownership housing.  
 —Rhode Island

## Interpreting the Diffusion Indexes

- For each index, we ask respondents to indicate whether conditions improved, declined, or remained unchanged. The index scores are calculated by taking the percentage of respondents that reported improvements in conditions and subtracting the percentage of respondents that report declines.
- The exception is the Demand for Services Index, which we compute by subtracting the percentage of respondents reporting an increase in demand from the percentage reporting a decrease. We do this to show that an increase in demand for services indicates a decline in the condition of lower-income income households and to allow for easier comparison of scores across indexes.
- A score above zero indicates respondents' attitudes are, on average, positive. A score below zero indicates respondents' attitudes are, on average, negative.

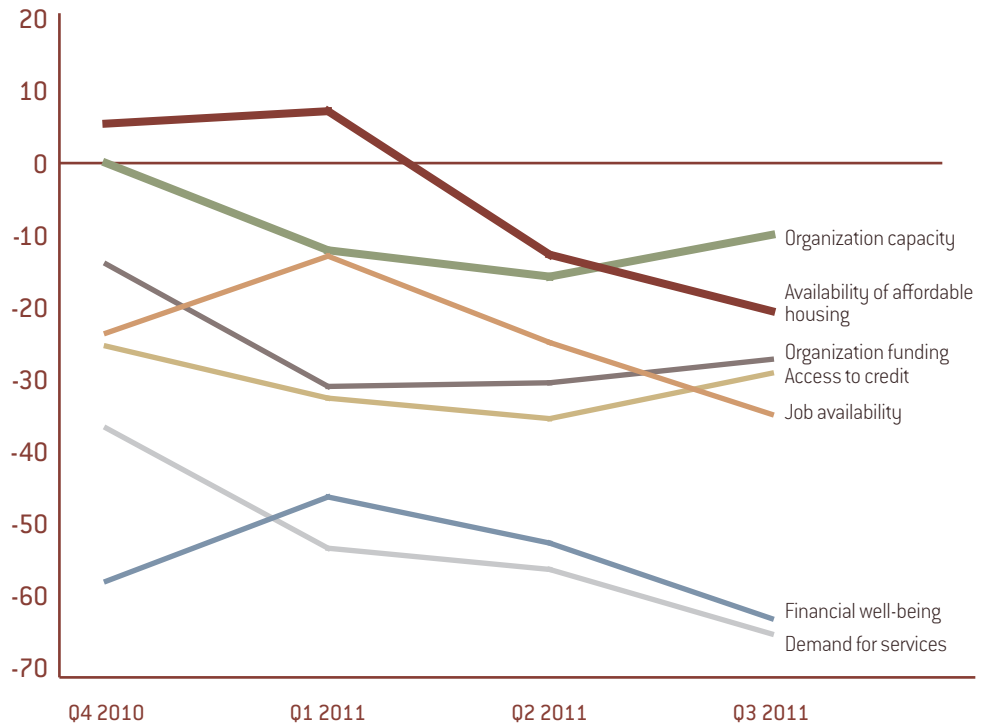
## Quick Facts about the Third Quarter Diffusion Indexes

- All seven indexes were below zero in the third quarter. The most unfavorable scores were for the Financial Well-being Index and the Demand for Services Index. Additionally, the Financial Well-being Index showed the sharpest decline among the indexes, dropping from -51.9 in the second quarter to -62.2 in the third quarter.
- In light of increases in demand for services and cuts in funding to organizations, we find it surprising that the Organizational Capacity Index remains relatively neutral (at -9.8 in the third quarter). The same anomaly in previous quarters prompted us to include a special question in the third-quarter asking organizations to share with us their strategies for maintaining capacity.

FIGURE 3

## DIFFUSION INDEXES FOR LOW- AND MODERATE-INCOME INDICATORS

*Current conditions relative to previous quarter*

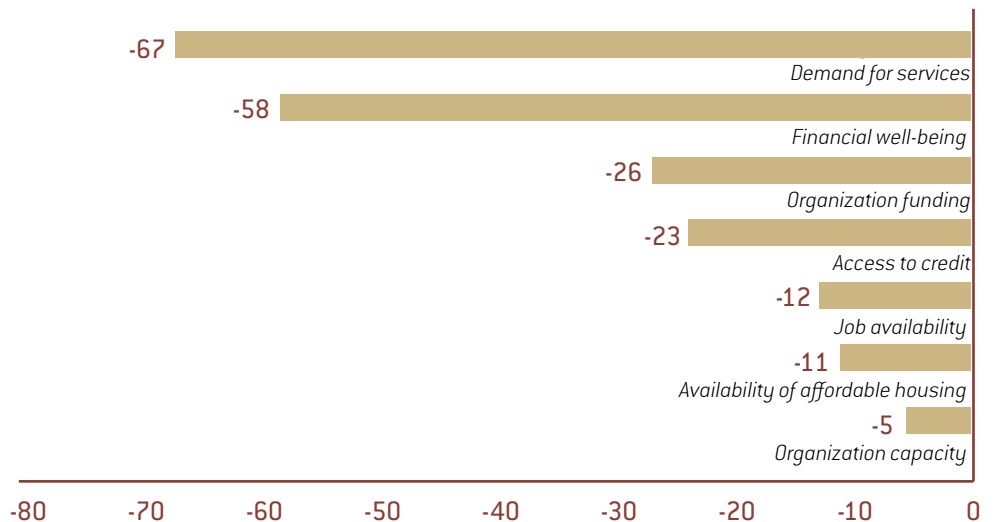


Source: Community Outlook Survey (Q3 2011)

FIGURE 4

## DIFFUSION INDEXES FOR LOW- AND MODERATE-INCOME INDICATORS

*Expectations for conditions over the next quarter*

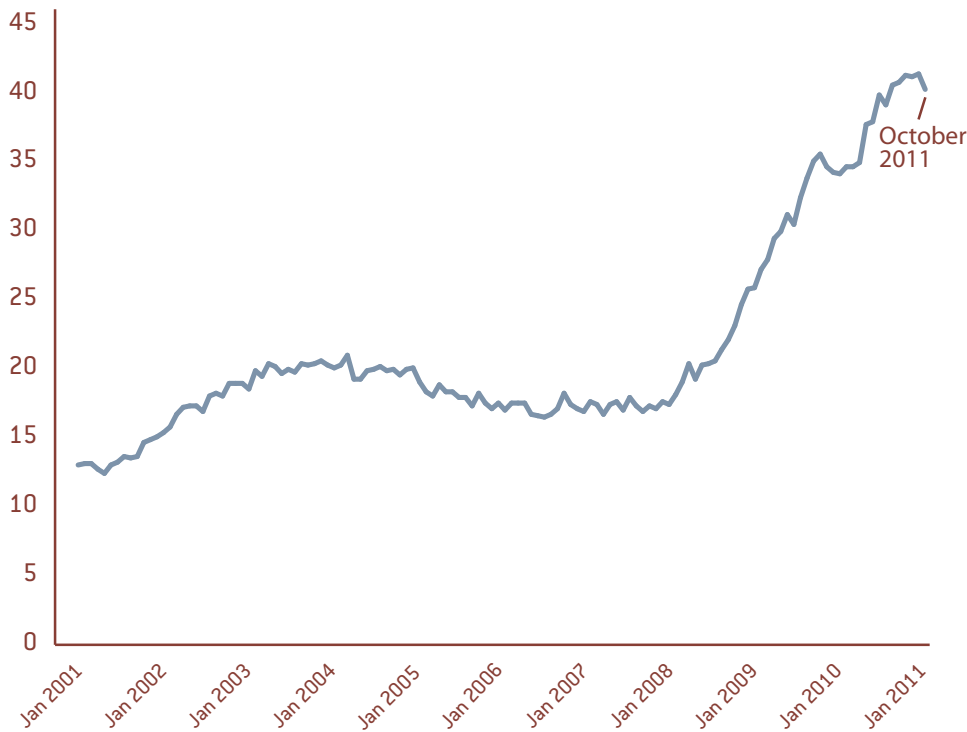


Source: Community Outlook Survey (Q3 2011)

FIGURE 5

DURATION OF UNEMPLOYMENT IN THE UNITED STATES

Average weeks unemployed (seasonally adjusted)



Source: BLS Current Population Survey

In their written responses, respondents said that many of their clients are experiencing much longer periods of unemployment than before. In recent weeks, the average duration of unemployment for the nation has been at record highs (Figure 5): in September, the average unemployed worker had been searching for a job for 40.5 weeks (more than nine months). The figure was down slightly in October, at 39.4 weeks. Additional concerns related to long-term unemployment cited by the press include fear that extended joblessness creates a vicious cycle (the longer people are unemployed, the less employable they become because of stigma and skill deterioration), unemployment benefits running out, and the burden of new debt arising from retraining for new careers.<sup>2</sup> Furthermore, many respondents noted that those clients who do find jobs are in lower-paying positions than they were previously.

Service Organizations Are Working Hard to Maintain Capacity as Demand for Services Rises

Respondents told us that the demand for their services continued to increase in the third quarter, as reflected in our Demand for Services Index (Figure 2). Only 5 percent of respondents saw a decrease in demand for their services, whereas 69 percent saw an increase. In terms of respondents' expectations over the next quarter, the Demand for Services Index is the most negative of all the indexes: only 3 percent of respondents expect a decrease in demand for their services over the next quarter, while 70 percent expect an increase.

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We need more funding to cover the larger demand placed on the agency by lower paying jobs.  
—Massachusetts  
.....

Some of the core services clients seek include job counseling, affordable housing, affordable childcare, and credit and financial literacy training. Service providers cited seniors, veterans, unemployed and homeless youth, and young families as especially vulnerable populations.

Respondents said their organizations have largely been able to continue meeting the needs of their clients, despite experiencing cuts in funding in previous quarters. Our nonfinancial Organizational Capacity Index remained close to neutral, at -9.8 for current conditions relative to the previous quarter and -5.4 for expectations over the next quarter. Respondents noted a decrease in funding for organizations: the Organizational Funding Index was -26.8 for current conditions relative to the previous quarter. Expectations over the next quarter are also negative, with only 13 percent of service providers expecting it to increase and 40 percent expecting a decrease.

We asked respondents who have managed to maintain capacity over the last 12 months, in the midst of higher demand for services and cuts in funding, to share their strategies. Out of 112 total survey respondents, 89 answered this question. Their responses are shown in Figure 6. The responses shown in the figure, combined with the written responses for the “other” category, fall into four broad categories. The most commonly cited category was the identification of alternative sources of private or public funding. After that came changes in staffing—for example, some organizations reported freezing or cutting salaries or reducing staff benefits; others had cut staff, had not replaced staff, or had given staff reduced hours or furlough. In some cases, staff members were simply working harder. The third most frequently cited category of response was cuts to programs and services. For example, some were not taking on new clients; others were cutting the range of services to existing clients. The final category was organizational efficiency. Organizations cited a number of strategies for increasing output and/or reducing expenses:

- Sharing staff resources with another organization
- Using volunteers and interns
- Cross training staff and relying on consultants
- Cutting variable expenses
- Taking advantage of technology
- Lowering their cost of funds (including working with partners to provide loan loss reserves)
- Putting services out to bid

These responses, while demonstrating resourcefulness, are not all sustainable. Additionally, while many organizations have been able to maintain services to existing clients, it is clear that some have had to reduce services and turn away new clients.

**FROM OUR RESEARCH:** Most respondents have continued to serve existing clients, though some have had to reduce the scope of services and many turn away new clients.

Poverty rates have climbed to an all-time high. The number of people seeking community action services in central Mass has grown for each of the last 5 years.  
—Massachusetts

## Household Financial Stability Continues to Decline

Respondents stressed the interrelatedness of LMI families’ problems. One Massachusetts respondent noted, “Once you can’t afford your housing, then you have trouble covering the heating bill, and then if you get sick, it’s harder to get well, and that may affect your ability to retain your job, etc.” Continued high unemployment, long-term joblessness, and cuts in funding for safety-net programs are taking their toll, and respondents said that households’ financial stability continues to decline, as reflected in our Financial Well-being Index, which measures households’ ability to fund basic needs, service debts, and save and invest for the future (Figure 2). Over the last quarter, 65 percent of service providers saw the financial well-being of households decline, while only 3 percent saw it improve. Expectations over the next quarter are similar, with 64 percent of respondents expecting households’ financial well-being to decline and 6 percent expecting it to improve. In their written responses, respondents also reported that financial instability was taking a psychological toll on their clients.

Respondents noted that while lower-income households are the most vulnerable at this time, they were seeing a much wider range of households experiencing a decline in their financial well-being. New income and poverty data released by the Census Bureau confirm that a growing number of people are facing economic stress. Real median household income in the United States was \$49,445 in 2010, a 2.3 percent decline from the 2009 median.<sup>3</sup> The nation’s official poverty rate rose from 14.2 percent in 2009 to 15.1 percent in 2010, the highest rate since 1993 (Figure 7). The poverty rate increased for children under 18 and adults 18 to 64, but was essentially unchanged for those 65 and over. Similarly, the number of people in poverty increased overall from 42.6 million in 2009

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The problems feel relentless. There are waiting lists for everything and if there is one problem, there are 10...The mental health toll is massive.

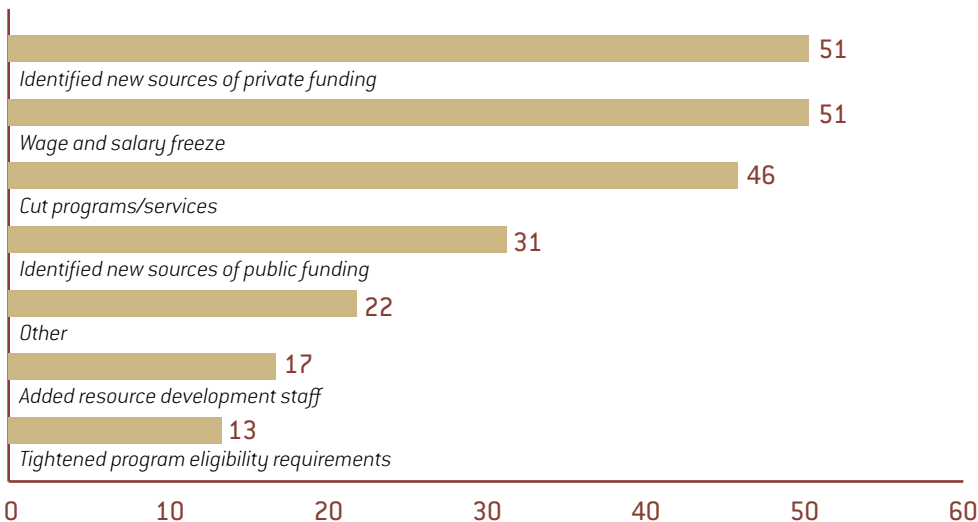
—Massachusetts

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**FIGURE 6**

### HOW ORGANIZATIONS HAVE BEEN ABLE TO MAINTAIN CAPACITY

Percentage of respondents



Source: Community Outlook Survey (Q3 2011)

Note: Respondents were able to select as many choices as apply

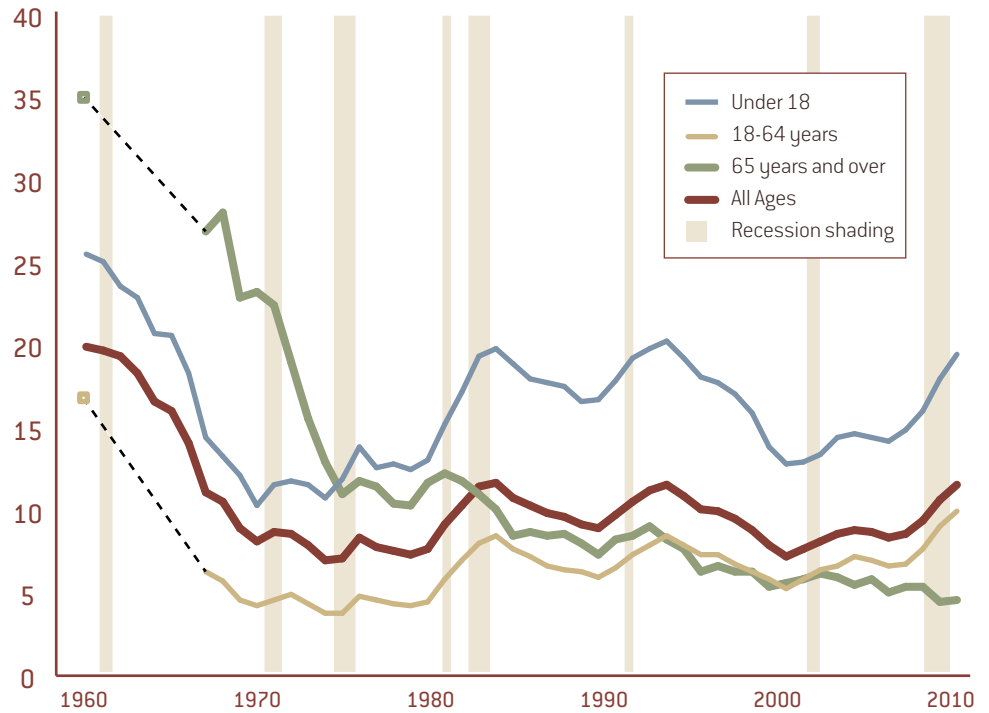
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We are concerned about the ability of poor neighborhoods to rebound from this crisis, particularly if there are further federal budget cuts and it remains difficult to find a job.

—Massachusetts

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**FIGURE 7**  
**POVERTY RATES BY AGE**  
*Percent below poverty*



Source: U.S. Census Bureau, Current Population Survey, 1960 to 2011 Annual Social and Economic Supplements

to 46.2 million in 2010, increased for children under 18 (from 15.5 million to 16.4 million), and for adults 18 to 64 (24.7 million to 26.3 million), but was essentially unchanged for those 65 and over (3.5 million).

### Other Challenges

Respondents also described the damage caused by tropical storm Irene, especially in Vermont. In that state, the storm destroyed 1,000 homes and severely damaged the transportation infrastructure, placing additional pressure on Vermont’s already strained budget. Respondents cited a number of additional concerns for New England’s LMI communities: affordable housing, cost-of-living increases, and rural issues.

### Affordable Housing

Respondents noted a small decline in the availability of affordable housing in the third quarter (Figure 2). The index was -20.2 for the third quarter (for current conditions relative to the previous quarter), down from -12.5 in the second quarter. The majority of respondents (59 percent) said they expect conditions to remain unchanged over the next quarter. Service providers reported a decline in the demand for mortgage financing because of the tightening of credit markets and a decline in the demand for financing of multifamily housing due to a lack of public funding for these projects. Service providers also noted that declining credit scores, brought on by job loss and foreclosures, are



forcing some families into lower-quality, lower-rent apartments. Some also reported cases of predatory landlords taking advantage of vulnerable families.

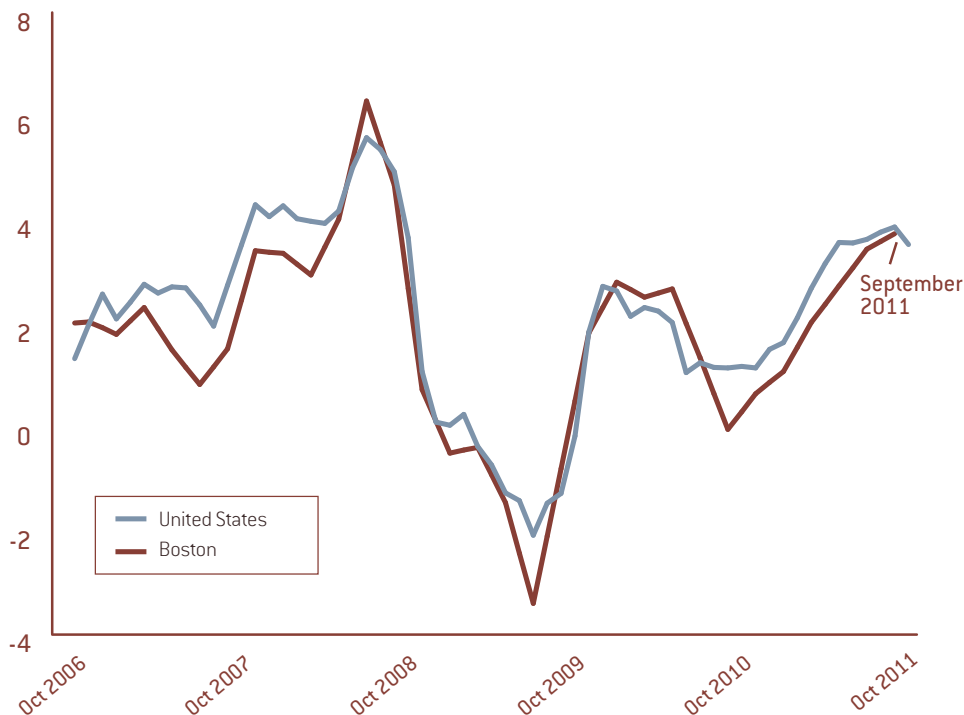
### Cost-of-Living Increases

Respondents once again cited cost-of-living increases as a burden on lower-income families. Food, fuel, and medical costs are taking a larger share of households' budgets. Some respondents expressed concern about an increase in the number of families that will struggle to cover both fuel costs and other basic necessities this winter. Others were concerned about a possible \$1 billion cut in federal fuel aid. According to New Hampshire Public Radio, a cut of that magnitude could mean that 5,000–10,000 fewer New Hampshire families would be able to receive help in that state.<sup>4</sup>

The consumer price index (CPI) in the Boston metropolitan area and the nation continued to rise in September, bringing year-over-year headline inflation rates to 3.74 percent and 3.87 percent, respectively (Figure 8). U.S. inflation slowed to 3.53 percent in October. (October figures are not yet available for Boston.) The increase has been driven by food and energy prices, which (recent evidence suggests) have proven temporary. If food and energy are excluded, Boston's core inflation rate rose 1.66 percent in September, with in-

**FROM OUR RESEARCH:** Lower-income families are the most vulnerable, but respondents point to a wider range of households experiencing a decline in their financial well-being.

**FIGURE 8**  
**CONSUMER PRICE INDEX**  
*Percentage change, year over year*



Source: U.S. Bureau of Labor Statistics/Haver Analytics

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As we head into winter, concerns about energy costs will mount. Yet there does not seem to be much attention being paid to this issue by policy-makers.

—Vermont

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Most of our northeastern counties are isolated areas with a significant lack of services, including health care, housing, mental health, and employment opportunities.

—Maine  
.....

creases in shelter and medical care costs more than offsetting price decreases in other areas. The core inflation rate in the nation was 2.10 percent in October.

### Rural Communities

Respondents serving rural communities reported that rural families continue to experience special challenges associated with living in these geographies. In the survey covering the third quarter, respondents noted in particular the problem of homelessness—which is more hidden in rural areas—and the challenge of making ends meet with seasonal, natural resource-based employment (fishing, farming, and forestry). Respondents also talked about the lack of availability of services such as health care, housing, and mental health services. In previous quarters, respondents also cited high unemployment, poor or no health care coverage for self-employed or seasonal workers, few transportation options, high home and transportation fuel costs, food insecurity, and lack of access to the Internet as being important issues for rural families.

### Conclusion

The continued decline in our indicators of the economic and financial well-being of New England’s lower-income households and communities is not surprising given other economic data released in recent months: slow economic growth, slow job growth and continued high unemployment, and weak housing markets. But service providers have cited concerns specific to the communities they work in, some of which warrant further investigation and specific policy responses. It will be important to monitor the impact of long-term unemployment on individuals to see whether policy responses will be needed to help some of them reenter the workforce. We have already noted that some service organizations may have difficulty sustaining themselves with stretched resources. Some of their current strategies (such as resource sharing) may be more effective than others in this regard, and it may be valuable for organizations to share best practices. Other strategies may need to be reconsidered and discontinued. Funders play an important role in supporting valuable organizations in difficult times. Programs and policies aimed at strengthening the financial stability of households should be a high priority for funders and policymakers in light of the continued decline in LMI households’ financial well-being. Other policy questions should also be addressed. For example, is there a need for stronger surveillance of predatory landlords looking to take advantage of vulnerable families? How can states and community organizations best help families pay for basic necessities such as food and heating this winter, in light of cost increases? The Boston Fed will take up some of these questions for further investigation or integration in future surveys, but we also raise them as considerations for funders and organizations serving and supporting our district’s LMI communities and families.

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*Report by Anna Steiger and Anthony Poore*  
*The views expressed are not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System.*  
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## ENDNOTES

<sup>1</sup> The survey covers the Boston Fed's New England district, comprising Connecticut (excluding Fairfield County), Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. LMI individuals have incomes below 80 percent of the area median income, which is defined as the metropolitan median income for urban residents and state median income for rural residents.

<sup>2</sup> Catherine Rampell, "Average Length of Unemployment at All Time High," *Economix* (blog), *New York Times*, June 3, 2011. Available at <http://economix.blogs.nytimes.com/2011/06/03/average-length-of-unemployment-at-all-time-high/>.

<sup>3</sup> Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, "Income, Poverty and Health Insurance in the United States: 2010," *Current Population Reports: Consumer Income*, September 2010, 6. Available at <http://www.census.gov/prod/2011pubs/p60-239.pdf>.

<sup>4</sup> Dan Gorenstein, "State Braces for Cut to Fuel Aid," New Hampshire Public Radio, October 11, 2011. Available at <http://www.nhpr.org/post/state-braces-cut-fuel-aid>.

## Survey Methodology

In January 2011, the Boston Fed launched the New England Community Outlook Survey, a quarterly online survey that gauges the financial and economic conditions of the region's LMI communities and the organizations that serve them.

Respondents represent organizations providing services to LMI households. Organizations are asked to designate one senior staff member to respond to the 10-minute survey each quarter. For this wave of the survey, 112 service providers from a variety of sectors and each of the six New England states were asked to respond to 20 multiple-choice and fill-in questions.<sup>1</sup> We asked respondents to comment about the period from July 1 to September 30, 2011, and respondents completed the survey between October 3 and October 14, 2011. Below is a breakdown of respondents by state and by the sector in which their organization primarily does business:

### PERCENTAGE OF RESPONDENTS BY STATE

State	Percentage of Respondents	Percentage of New England Population <sup>i</sup>
Massachusetts	41	49
Maine	15	10
Connecticut <sup>i</sup>	13	19
New Hampshire	13	10
Vermont	12	5
Rhode Island	6	8
	100	100

<sup>i</sup> Excluding Fairfield County, CT.

### PERCENTAGE OF RESPONDENTS BY SECTOR

Sector	Percentage of Respondents
Economic Development	39
Affordable Housing	25
Community Action	19
Human Services	13
Workforce Development	5
Total	100

<sup>i</sup> Excluding Fairfield County, CT.

## PERCENTAGE OF RESPONDENTS BY URBAN/RURAL MIX

Populations Served	Percentage of Respondents
Mostly Urban	45
Mostly Rural	28
Both Urban and Rural	28
Total	100